

# Executive Memorandum

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## THE SENATE COMMITTEE'S PROPOSED BUDGET: IT COULD HARDLY BE WORSE

The Senate Budget Committee's FY 1987 budget resolution, soon to be taken up by the full Senate, is a remarkable document--remarkable in that it fails totally to provide the guidelines urgently needed to restructure spending within the limits of the Gramm-Rudman-Hollings law. Instead, the Committee resolution, sponsored by Senators Pete Domenici (R-NM) and Lawton Chiles (D-FL), ignores the President's recommended domestic spending reductions, reinstates spending for the one major program Congress had agreed to terminate, raises taxes, and cuts defense spending beyond last year's compromise agreement. It could hardly be much worse.

The shape of the budget resolution is especially important this year. Under the Gramm-Rudman budget balancing law, the budget resolution sets ceilings for each appropriations bill. If the Senate Committee's bloated plan characterizes the final pattern of deficit reduction, the President will be forced to veto several of these bills. This would mean that Gramm-Rudman ceilings could be met only by mindless across-the-board cuts. To prevent this, the White House should reject completely the Senate Budget Committee's resolution and then begin taking an increasingly active role in the budget process. Above all, the White House must warn that a presidential veto will be the fate of any spending bill which ignores Gramm-Rudman or undermines U.S. economic and military strength.

A major portion of the savings in the Senate Budget Committee measure would come from cutting \$25 billion more from defense than agreed by Congress and the President in last year's budget compromise. Much of the remaining required deficit reduction would result from new revenue--a paralyzing \$74 billion over three years. Most of the domestic programs targeted for spending reforms in the Reagan budget are ignored by the Senate committee. In several cases, the budget resolution actually increases domestic expenditures. Worse still, the plan reverses a previous hard-fought budget victory by resuscitating General Revenue Sharing, previously scheduled by Congress for termination in 1987.

If the full Senate passes the committee resolution the outlook for sound budget-making will be grim: Reagan will have no alternative but to veto virtually every appropriations bill that crosses his desk, leaving Congress no closer to a budget six months from now than it is today. This would be unfortunate considering the useful changes in the budget process enacted last year. By these changes, the budget resolution establishes limits for each spending area. In the past, these limits were merely guidelines which the appropriations committees easily could violate. But the Gramm-Rudman bill enforces the budget resolution by making it far more difficult for spending committees to exceed these allocations. Under the new rules, therefore, the budget resolution is perhaps the most critical stage of the budget process.

It is essential, therefore, for Senate Republicans and the President to make a greater effort to come to terms on a budget resolution. If the current rift between the Republican controlled Senate and the White House on the budget remains unresolved, the ultimate beneficiaries will be the big spenders in the House. They will be able to raise taxes to avoid cutting wasteful federal programs.

To regain the budget battle offensive, the Senate must formulate a budget resolution honoring last year's defense spending bargain, imposing no new taxes, and cutting a number of domestic programs substantially. This essentially was the shape of the budget which the White House in February sent to Congress. Since then, however, the Administration has done little to win support for its budget. It even has refused to negotiate with Senators from its own party. This tactic now must change. Without Ronald Reagan's active participation, an agreement with the Senate seems unlikely. He must again remind the Senate that tax increases are non-negotiable. But he also can point out that if the Senate is wedded to the idea of increasing revenue, then it should consider his proposal to implement user fees for federal services and to privatize federal assets, such as selling the Bonneville Power Administration. The advantage of privatization over tax hikes? Privatization reduces the scale of government and improves economic efficiency. Tax increases do neither.

If the federal budget is to be balanced by 1991, lawmakers must take a hard look at federal spending, searching for redundant programs that can be eliminated safely, functions that can be performed better by the private sector, activities that should be funded in state capitals rather than in Washington, and special interest boondoggles that have no place in any budget. The Senate Budget Committee's marred blueprint reveals that even the President's own party so far is unwilling to do this.

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